APPENDIX

Revenue Act of 1936, c. 690, 49 Stat. 1648:

SEC. 22. GROSS INCOME.

(a) *General Definition.*—"Gross income" includes gains, profits, and income derived from salaries, wages, or compensation for personal services, of whatever kind and in whatever form paid, or from professions, vocations, trades, businesses, commerce, or sales, or dealings in property, whether real or personal, growing out of the ownership or use of or interest in such property; also from interest, rent, dividends, securities, or the transaction of any business carried on for gain or profit, or gains or profits and income derived from any source whatever. * * *

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(e) *Determination of Gain or Loss.*—In the case of a sale or other disposition of property, the gain or loss shall be computed as provided in section 111.

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SEC. 24. ITEMS NOT DEDUCTIBLE.

(a) *General Rule.*—In computing net income no deduction shall in any case be allowed in respect of—

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(6) Loss from sales or exchanges of property, directly or indirectly, (A) between members of a family, or (B) except in the case of distributions in liquidation, between an individual and a corporation in which such individual owns, directly or

indirectly, more than 50 per centum in value of the outstanding stock. For the purpose of this paragraph—(C) an individual shall be considered as owning the stock owned, directly or indirectly, by his family; and (D) the family of an individual shall include only his brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants.

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Treasury Regulations 94, promulgated under the Revenue Act of 1936:

ART. 24–5. *Losses from sales between members of family and between individuals and corporations.*—The provisions of section 24 (a) (6) may be illustrated generally by the following example:

Example: During the calendar year 1936, A had losses from sales of shares of stock as follows:

Cost or other basis of shares sold	Selling price	Loss	Person to whom sold
$4,000	$3,900	$100	Grandfather of A.
4,000	3,800	200	Half-brother of A.
4,000	3,700	300	Spouse of A.
4,000	3,600	400	Granddaughter of A.
4,000	3,500	500	The M corporation 55 percent in value of the outstanding stock of which was owned by A.
4,000	3,400	600	The O corporation, 100 percent in value of the outstanding stock of which was owned by the P corporation, 51 percent in value of the outstanding stock of the P corporation being owned by the grandson of A.

Under section 24 (a) (6) none of the above-described losses of A are deductible from his gross income.

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